

APPENDIX PERFORMANCE MEASUREMENTS

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APPENDIX PERFORMANCE MEASUREMENTS**1. INTRODUCTION**

- 1.1 SBC Communications Inc. (SBC) means the holding company which owns the following ILECs: Illinois Bell Telephone Company, Indiana Bell Telephone Company Incorporated, Michigan Bell Telephone Company, Nevada Bell Telephone Company, The Ohio Bell Telephone Company, Pacific Bell Telephone Company, The Southern New England Telephone Company, Southwestern Bell Telephone Company and/or Wisconsin Bell, Inc. d/b/a Ameritech Wisconsin.
- 1.2 As used herein, **SBC-13STATE** means the applicable above listed ILEC doing business in Arkansas, California, Connecticut, Illinois, Indiana, Kansas, Michigan, Missouri, Nevada, Ohio, Oklahoma, Texas, and Wisconsin.
- 1.3 As used herein, **SBC-SWBT** means the applicable above listed ILEC doing business in Arkansas, Kansas, Missouri, Oklahoma, and Texas.
- 1.4 As used herein, **SBC-AMERITECH** means the applicable above listed ILEC doing business in Illinois, Indiana, Michigan, Ohio, and Wisconsin.
- 1.5 As used herein, **SBC-SNET** means the applicable above listed ILEC doing business in Connecticut.
- 1.6 As used herein, **PACIFIC** means the applicable above listed ILEC doing business in California.
- 1.7 As used herein, **NEVADA** means the applicable above listed ILEC doing business in Nevada.
- 1.8 As used herein, **Service Bureau Provider** means a company which has been engaged by CLEC to act as its agent for purposes of accessing SBC-LEC's OSS application-to-application interfaces.
- 1.9 The performance measurements contained herein, notwithstanding any provisions in any other appendix in this Agreement, are not intended to create, modify or otherwise affect parties' rights and obligations with respect to OSS access. The existence of any particular performance measure, or the language describing that measure, is not evidence that CLEC is entitled to any particular manner of access, nor is it evidence that **SBC-13STATE** is limited to providing any particular manner of access. The parties'

rights and obligations to such access are defined elsewhere, including the relevant laws, FCC and PUC decisions/regulations, tariffs, and within this interconnection agreement.

2. **SOLE REMEDY**

- 2.1 These liquidated damages shall be the sole and exclusive remedy of CLEC for **SBC 13-STATE**'s failure to meet specified performance measures and shall be in lieu of any other damages CLEC might otherwise seek for such breach through any claim or suit brought under any contract or tariff.

3. **DEFINITIONS**

- 3.1 When used in this Appendix, the following terms will have the meanings indicated:

3.1.1 Performance Criteria

3.1.1.1 The target level of **SBC-13STATE** performance specified for each Performance Measurement. Generally, the Performance Measurements contained in this Appendix specify performance equal to that which **SBC-13STATE** achieves for itself in providing equivalent end user service as the Performance Criterion. Parity exists when the measured results in a single month (whether in the form of means, proportions, or rates) for the same measure, at equivalent disaggregation for both **SBC-13STATE** and CLEC are used to calculate an appropriate test statistic and the resulting test value has an associated probability that is no less than the critical probability indicated in the Table of Critical Values shown in Section 9.

3.1.1.2 Performance Measurements for which parity calculations are not possible have a specified *standard* as the Performance Criterion. Compliance is assessed by comparing the result obtained by the CLEC with the applicable standard using an appropriate statistical test. The result is compliant if the probability associated with the test statistic is no less than the critical probability indicated in the Table of Critical Values shown in Section 9.

3.1.2 Performance Measures

3.1.2.1 The set of measures listed in all of Section 14 of this Appendix.

3.1.3 Non-compliance

3.1.3.1 The failure by **SBC-13STATE** to meet the Performance Criteria for any performance measure identified as an available measurement type in Section 14.

4. SPECIFIED PERFORMANCE STANDARDS

4.1 **SBC-13STATE** shall not be obligated to pay liquidated damages or assessments for noncompliance with a performance measurement to the extent that such noncompliance was the result of actions or events beyond **SBC-13STATE**'s control, including but not limited to the following: (i) a Force Majeure event; (ii) an act or omission by a CLEC that is contrary to any of its obligations under its interconnection agreement with **SBC-13STATE** or law; (iii) environmental events beyond **SBC-13STATE**'s control even though not considered "Force Majeure"; and (iv) problems associated with third-party systems or equipment including systems, equipment and services provided by Service Bureau Provider, which could not be avoided by **SBC-13STATE** through the exercise of reasonable diligence, regardless of whether or not such third-party systems or equipment were sold to or otherwise being provided to **SBC-13STATE**.

5. OCCURRENCE OF A SPECIFIED PERFORMANCE BREACH

5.1 In recognition of either: 1) the loss of End User opportunities, revenues and goodwill which a CLEC might sustain in the event of a Specified Performance Breach; 2) the uncertainty, in the event of a Specified Performance Breach, of a CLEC having available to its End User opportunities similar to those opportunities available to **SBC-13STATE** at the time of a breach; or 3) the difficulty of accurately ascertaining the amount of damages a CLEC would sustain if a Specified Performance Breach occurs, **SBC-13STATE** agrees to pay the CLEC Liquidated Damages, subject to Section 6.1 below.

6. LIQUIDATED DAMAGES AS FORM OF REMEDY

6.1 The Parties agree and acknowledge that a) the Liquidated Damages are not a penalty and have been determined based upon the facts and circumstances known by the Parties at the time of the negotiation and entering into this Agreement, with due consideration given to the performance expectations of each Party; b) the Liquidated Damages constitute a reasonable approximation of the damages the CLEC would sustain if its damages were readily ascertainable; and c) neither Party will be required to provide any proof of the Liquidated Damages.

7. LIQUIDATED DAMAGES PAYMENT PLAN; GENERALLY

7.1 Liquidated damages apply to the available, non-diagnostic measures designated in the

Business Rules when **SBC-13STATE** delivers Non-complaint performance as defined in 3.1.3. In no event shall **SBC-13STATE** be required to pay a Liquidated Damage for any performance which was at parity or in compliance with the applicable benchmark at the time that the performance occurred

- 7.2 The Table of Critical Values (Section 9) gives the maximum number, F, of measurements of those required to be reported to the CLEC that may fail the Performance Criteria in any month. Liquidated damages apply to Non-compliant measures that are in excess of the applicable value of F.
- 7.3 None of the liquidated damages provisions set forth in this proposal will apply during the first three months after a CLEC first purchases the type of service or unbundled network element(s) associated with a particular performance measurement or introduction of a new measure.
- 7.4 There are two kinds of failures of the Performance Criteria. *Ordinary* failures are failures on a measure for one month or two consecutive months. *Chronic* failures are failures on a measure for three consecutive months. Ordinary failures may be excused up to the applicable value of F from the Table of Critical Values. Chronic failures may not be excused in that manner. \$500 is paid for each ordinary failure in excess of F. \$2,500 is paid for each Chronic failure. For example, if the value of F is 8 and there are 10 Ordinary failures and 1 Chronic failure in a month, then the Liquidated Damages for that month would be $(10-8)*\$500 + \$2,500 = \$3,000$. If there were 7 Ordinary failures and no Chronic failures, no Liquidated Damages would be paid.

8. LIQUIDATED DAMAGES; METHOD OF CALCULATION

- 8.1 **SBC-13STATE** and CLEC agree to use the following as statistical tests for evaluating the compliance of CLEC results with the Performance Criterion. These tests are applicable if the number of data points are greater than 30 for a given measurement.
- 8.2 The following list describes the tests to be used in evaluating the performance criterion. In each test, the important concept is the probability that the CLEC's results are significantly worse than either the comparable result for **SBC-13STATE** or the benchmark (whichever is relevant to the test). This probability is compared with the P value from the Table of Critical Values to decide if the measure meets the Performance Criterion. Probabilities that are less than the P value are deemed to have failed the test. For parity measures that are expressed as Averages or Means, the following (Modified) Z test applies:

$$Z = (\text{DIFF}) / \sigma_{\text{DIFF}}$$

Where;

$$\text{DIFF} = M_{\text{ILEC}} - M_{\text{CLEC}}$$

M_{ILEC} = ILEC Average

M_{CLEC} = CLEC Average

$$\sigma_{\text{DIFF}} = \text{SQRT} [\sigma_{\text{ILEC}}^2 (1/n_{\text{CLEC}} + 1/n_{\text{ILEC}})]$$

σ_{ILEC}^2 = Calculated variance for ILEC.

n_{ILEC} = number of observations or samples used in ILEC measurement

n_{CLEC} = number of observations or samples used in CLEC measurement

The probability of the Z statistic is obtained from a standard normal distribution.

For parity measures that are expressed as Percentages or Proportions:

$$Z = (\text{DIFF}) / \sigma_{\text{DIFF}}$$

Where;

$$\text{DIFF} = P_{\text{ILEC}} - P_{\text{CLEC}}$$

P_{ILEC} = ILEC Proportion

P_{CLEC} = CLEC Proportion

$$\sigma_{\text{DIFF}} = \text{SQRT} [\sigma_{\text{ILEC}}^2 (1/n_{\text{CLEC}} + 1/n_{\text{ILEC}})]$$

$\sigma_{\text{ILEC}}^2 = P_{\text{ILEC}} (1 - P_{\text{ILEC}})$.

n_{ILEC} = number of observations or samples used in ILEC measurement

n_{CLEC} = number of observations or samples used in CLEC measurement

The probability of the Z statistic is obtained from a standard normal distribution.

For parity measures that are expressed as Rates or Ratios:

$$Z = (\text{DIFF}) / \sigma_{\text{DIFF}}$$

Where;

$$\text{DIFF} = R_{\text{ILEC}} - R_{\text{CLEC}}$$

$R_{\text{ILEC}} = \text{num}_{\text{ILEC}} / \text{denom}_{\text{ILEC}}$

$R_{\text{CLEC}} = \text{num}_{\text{CLEC}} / \text{denom}_{\text{CLEC}}$

$$\sigma_{\text{DIFF}} = \text{SQRT} [R_{\text{ILEC}} (1/\text{denom}_{\text{CLEC}} + 1/\text{denom}_{\text{ILEC}})]$$

The probability of the Z statistic is obtained from a standard normal distribution.

In calculating the difference between the performances the formulae given above apply when a larger CLEC value indicates a higher quality of performance. For cases in

which a smaller CLEC value indicates a higher quality of performance the order of subtraction should be reversed (i.e., $M_{CLEC} - M_{ILEC}$, $P_{CLEC} - P_{ILEC}$, $R_{CLEC} - R_{ILEC}$).

For measures with benchmarks that are expressed as Averages or Means:

$$t = (DIFF) / \sigma_{DIFF}$$

Where;

$$DIFF = M_{CLEC} - BM$$

$$M_{CLEC} = \text{CLEC Average}$$

$$BM = \text{Benchmark}$$

$$\sigma_{DIFF} = \sqrt{\sigma_{CLEC}^2 (1/n_{CLEC})}$$

$$\sigma_{CLEC}^2 = \text{Calculated variance for CLEC.}$$

$$n_{CLEC} = \text{number of observations or samples used in CLEC measurement}$$

The probability of the t statistic is obtained from Student's distribution with $n_{CLEC} - 1$ degrees of freedom.

For measures with benchmarks that are expressed as Percentages or Proportions:

When high proportions designate good service, the probability of the CLEC result is given by

$$\sum_{x=0}^K \binom{N}{x} B^x (1-B)^{N-x}$$

Where

$$K = PN$$

$$P = \text{CLEC proportion}$$

$$N = \text{number of observations or samples used in CLEC measurement}$$

$$B = \text{benchmark expressed as a proportion}$$

When low proportions designate good service, the probability of the CLEC result is given by

$$\sum_{x=0}^K \binom{N}{x} B^x (1-B)^{N-x}$$

with the same definition of symbols as is given above.

- 8.3 The following table will be used for determining the critical probabilities that define the Performance Criterion as well as the number of non-compliant measures that may be excused in a given month. The table is read as follows: (1) determine the number of measures to which Liquidated Damages are applicable and which have sample sizes greater than or equal to 30 cases. Let this number be M. (2) Find that row of the table such that M is within the range of values given in the first two columns of the table. (3) Reading across that row determine the value of F from the third column. (4) The critical probability for determining compliance in each statistical test performed on the M measures is calculated by interpolating the last two columns of the table for that row. For example, suppose a CLEC has 50 measures. The applicable row has the range of 49 to 60 measures. The F value for that row is 7 and the critical probabilities is

$$6.2\% - (6.2\% - 5\%) \frac{50 - 49}{60 - 49} = 6.1\%$$

9. TABLE OF CRITICAL VALUES

| Number of Measures Reported to the CLEC (M) | | (F) | Critical Probabilities for Assessing Parity and Compliance (P) | |
|--|--|--|--|--|
| Minimum Value in the Range Associated with F | Maximum Value in the Range Associated with F | Maximum Number of Failures that May be Excused | Probability for Minimum Value in the Range | Probability for Maximum Value in the Range |
| 1 | 1 | 0 | 1.00% | 1.00% |
| 2 | 3 | 1 | 10.00% | 5.90% |
| 4 | 9 | 2 | 14.10% | 5.30% |
| 10 | 17 | 3 | 9.30% | 5.20% |
| 18 | 26 | 4 | 7.70% | 5.20% |
| 27 | 37 | 5 | 7.00% | 5.10% |
| 38 | 48 | 6 | 6.50% | 5.10% |
| 49 | 60 | 7 | 6.20% | 5.00% |
| 61 | 72 | 8 | 6.00% | 5.00% |
| 73 | 85 | 9 | 5.90% | 5.00% |
| 86 | 98 | 10 | 5.70% | 5.00% |
| 99 | 111 | 11 | 5.60% | 5.00% |
| 112 | 124 | 12 | 5.60% | 5.00% |
| 125 | 138 | 13 | 5.60% | 5.00% |
| 139 | 152 | 14 | 5.50% | 5.00% |
| 153 | 167 | 15 | 5.50% | 5.00% |
| 168 | 181 | 16 | 5.40% | 5.00% |
| 182 | 196 | 17 | 5.40% | 5.00% |
| 197 | 210 | 18 | 5.40% | 5.00% |
| 211 | 225 | 19 | 5.40% | 5.00% |
| 226 | 240 | 20 | 5.30% | 5.00% |
| 241 | 255 | 21 | 5.30% | 5.00% |
| 256 | 270 | 22 | 5.30% | 5.00% |
| 271 | 286 | 23 | 5.30% | 5.00% |
| 287 | 301 | 24 | 5.30% | 5.00% |
| 302 | 317 | 25 | 5.30% | 5.00% |
| 318 | 332 | 26 | 5.20% | 5.00% |
| 333 | 348 | 27 | 5.20% | 5.00% |
| 349 | 364 | 28 | 5.20% | 5.00% |
| 365 | 380 | 29 | 5.20% | 5.00% |
| 381 | 395 | 30 | 5.20% | 5.00% |
| 396 | 411 | 31 | 5.20% | 5.00% |
| 412 | 427 | 32 | 5.20% | 5.00% |
| 428 | 444 | 33 | 5.20% | 5.00% |

10. LIMITATIONS

- 10.1 **SBC-13STATE** will not be excused from payment of liquidated damages, as calculated by the rules set forth herein, on any grounds, except by application of the procedure provided for under Section 11.5. Any dispute regarding whether a **SBC-13STATE** performance failure is excused under that paragraph will be resolved, through negotiation, through a dispute resolution proceeding under applicable Commission rules or, if the parties agree, through commercial arbitration with the American Arbitration Association.
- 10.2 **SBC-13STATE** shall not be obligated to pay liquidated damages or assessments for noncompliance with a performance measurement to the extent that such noncompliance was the result of actions or events beyond **SBC-13STATE**'s control, including but not limited to the following: (i) a Force Majeure event; (ii) an act or omission by a CLEC that is contrary to any of its obligations under its interconnection agreement with **SBC-13STATE** or law; (iii) environmental events beyond **SBC-13STATE**'s control even though not considered "Force Majeure"; (iv) problems associated with third-party systems or equipment which could not be avoided by **SBC-13STATE** through the exercise of reasonable diligence, regardless of whether or not such third-party systems or equipment were sold to or otherwise being provided to **SBC-13STATE** and (v) delays or other problems resulting from actions of a Service Bureau Provider acting on the CLEC's behalf for connection to SBC-LEC's OSS, including Service Bureau Provider processes, services, systems or connectivity.
- 10.3 If a Delaying Event (i) prevents a Party from performing an activity, then such activity will be excluded from the calculation of **SBC-13STATE**'s compliance with the Performance Criteria, or (ii) only suspends **SBC-13STATE**'s ability to timely perform the activity, the applicable time frame in which **SBC-13STATE**'s compliance with the Performance Criteria is measured will be extended on an hour-for-hour or day-for-day basis, as applicable, equal to the duration of the Delaying Event.

11. RECORDS AND REPORTS

- 11.1 **SBC-13STATE** will not levy a separate charge for provision of the data to CLEC called for under this Appendix. Notwithstanding other provisions of this Agreement, the Parties agree that such data and associated records will be deemed Proprietary Information.
- 11.2 Reports are to be made available to the CLEC by the 20th day following the close of the calendar month. If the 20th day falls on a weekend or holiday, the reports will be made available the next business day.

- 11.3 CLEC will have access to monthly reports through an interactive Website.
- 11.4 **SBC-13STATE** will provide billing credits for the associated liquidated damages on or before the 30th day following the due date of the performance report for the month in which the obligation arose.
- 11.5 **SBC-13STATE** may not withhold payment of liquidated damages to CLEC, for any amount up to the amounts listed herein, unless **SBC-13STATE** has commenced an expedited dispute resolution proceeding on or before the payment due date, asserting one of the permitted grounds for excusing a damages payment below the procedural threshold as set out in Section 10.2 of this Appendix (Force Majeure, CLEC fault, Service Bureau Provider fault and non-**SBC-13STATE** problems associated with third-party systems or equipment including systems, services and equipment provided by Service Bureau Provider). In order to invoke the procedural threshold provisions allowing for escrow of damages obligations in excess of the amounts listed herein to CLEC, **SBC-13STATE** will pay the balance into escrow, and commence the show cause proceeding on or before the payment due date. These procedural thresholds are based on the aggregate damages to all CLECs in the designated state.

| State | Monthly Maximum |
|-------------|-----------------|
| Arkansas | \$.072M |
| California | \$1.26M |
| Connecticut | \$.168M |
| Illinois | \$.51M |
| Indiana | \$.165M |
| Kansas | \$.101M |
| Michigan | \$.392M |
| Missouri | \$.189M |
| Nevada | \$.024M |
| Ohio | \$.296M |
| Oklahoma | \$.120M |
| Texas | \$.713M |
| Wisconsin | \$.158M |

12. AUDITS

- 12.1 CLEC and **SBC-13STATE** will consult with one another and attempt in good faith to resolve any issues regarding the accuracy or integrity of data collected, generated, and reported pursuant to this Appendix. In the event that CLEC requests such consultation and the issues raised by CLEC have not been resolved within 30 days after CLEC's

request for consultation, then **SBC-13STATE** will allow CLEC to commence a mini-audit, at CLEC's expense, upon providing **SBC-13STATE** 5 days advance written notice (including e-mail).

- 12.2 CLEC is limited to auditing three (3) single measures/submeasures during the year (hereafter, "Mini-Audits"). No more than three (3) Mini-Audits will be conducted simultaneously for all CLECs, unless more than one CLEC wants the same measure/sub-measure audited at the same time, in which case, Mini-Audits of the same measure/submeasure shall count as one Mini-Audit for the purposes of this paragraph only.
- 12.3 CLEC will bear the expense of the mini-audits, unless **SBC-13STATE** is found to be "materially" misreporting or misrepresenting data or to have non-compliant procedures, in which case, **SBC-13STATE** will pay for the costs of the third party auditor. "Materially" at fault means that a reported successful measure changes as a consequence of the audit to a missed measure, or there is a change from an ordinary missed measure to another category, if such exists. Each party to the mini-audit shall bear its own internal costs, regardless of which party ultimately bears the costs of the third party auditor. The major service categories are listed below:

Pre-Ordering/Ordering
Provisioning
Maintenance
Interconnection
Coordinated Conversions
Collocation
Billing

13. INITIAL IMPLEMENTATION

- 13.1 The Parties agree that none of the liquidated damages provisions set forth in this Appendix will apply during the first three months after first purchases of the a new type of service or unbundled network element(s) associated with a particular Performance Measurement or after the introduction of a new measure. During this three month period the Parties agree to consider in good faith any adjustments that may be warranted to the Performance Criteria for that Performance Measurement.

14. PERFORMANCE MEASUREMENTS

- 14.1 **SBC-13STATE** will provide Performance Measurements, in accordance with the Business Rules and associated implementation timelines contained in paragraphs 23 and 24 of the FCC Merger Conditions , and its associated attachments , under this Agreement. Except as otherwise provided herein, the service Performance Measure

Business Rules contained in the FCC Merger Conditions, including any subsequent additions, modifications and/or deletions to the Business adopted pursuant to FCC Merger Conditions, Attachment A, paragraph 4 shall also be incorporated into this Agreement by reference. **SBC-13STATE** performance shall be measured by the business rules in effect on the first date of each month in which the activity subject to measurement occurred.